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FISCAL IMPACT STATEMENT

LS 6391

BILL NUMBER: HB 1373

NOTE PREPARED: Jan 13, 2004

BILL AMENDED:

SUBJECT: Interim Fees on Property Improvements.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill allows a county to impose interim property fees on real property improvements as of the time the improvements are complete and before they are subject to property tax.

Effective Date: January 1, 2004 (retroactive).

Explanation of State Expenditures: Interim property fees as described in this bill apply to real property which is ready for occupancy after March 1, but before January 1 of the following calendar year. These fees would first be collected for 2004 Pay 2005. The interim property fee can only be collected if adopted by the county legislative body and the county executive. The interim property fee would equal the real property tax that would have been collected had the property been ready for occupancy on the date at which real property was generally assessed, times a percentage based on the number of months left in the calendar year. These percentages are listed in Table 1, below.

The Department of Local Government Finance (DLGF) would be responsible for assessing real property subject to IC 6-1.1-8.5 (industrial facilities valued at \$25 M or more). These assessments are required to be completed by the first day of the month following the certification that the facility was ready for occupancy and use. The assessments required by this bill may be in addition to the regular assessments conducted by the DLGF for property tax purposes and may require additional funding for the DLGF, but the amount cannot be currently estimated.

The interim property fee is reduced by the value of the Property Tax Replacement Credit (PTRC) and Homestead Credit that would be applied if the fee were a real property tax, but the fee does not result in any increased PTRC or Homestead Credits.

Table 1 - Interim Property Fee as Per Cent of Property Tax Assessment

Month	Percent of Tax Assessment Due
March	83.3%
April	75.0%
May	66.7%
June	58.3%
July	50.0%
August	41.7%
September	33.3%
October	25.0%
November	16.7%
December	8.3%

Explanation of State Revenues:

Explanation of Local Expenditures: Local government officials or agencies that issue certificates of occupancy must deliver copies of all certificates or approvals on a monthly basis to the county assessor. The assessor must, on the 20th of each month, deliver an assessment registration, building permit, and certificate or approval for occupancy to the township assessor in which the real property is located. The township assessor then assesses the property, and the county auditor must then certify to the county treasurer the total amount of the interim property fee, which the treasurer then collects in two installments in the same manner as property taxes.

This bill requires the county assessor, township assessor, county auditor, and county treasurer to assess real property, compute the interim property fee, and create a bill for taxpayers subject to the fee every month, rather than once a year when real property taxes are computed. The cost of implementing these procedures, however, cannot be currently estimated.

Explanation of Local Revenues: This bill authorizes county assessors to collect a \$5 fee for each registration assessment notice.

The annual increase in real property assessed valuation from 2003 Pay 2004 to 2004 Pay 2005 is estimated at \$4.62 B. This increase is assumed to be the result of new construction and improvements subject to the provisions of this bill. If it is assumed that construction is equally likely to finish in any month, then the *net* assessed value (AV) subject to the provisions of this bill would be \$1.42 B (less than half since property occupied in January or February are not assessed the fee) with a maximum statewide revenue increase of \$25.6 M in new fee revenue for the entire state (if all counties implement the fee).

Estimation note: The actual increases from Pay 1998 to Pay 2002 have varied by more than \$2 B above and below this number, which suggests that the year-to-year variation in the revenue produced by this fee will

also be high. The estimate of the year-to-year increase in the value of real property improvements and new construction is particularly unreliable for Pay 2005 since statewide post-reassessment data are not yet available for Pay 2003. Pay 1996 through Pay 2002 actual real property assessed values were used to estimate the average annual increase in real property AV for Pay 2003 before reassessment. This value was then multiplied by 1.89 (the estimated change in real property AV used in HEA 1001-2002 (ss)) to obtain the increase in real property AV for Pay 2003. The increase for Pay 2005 was estimated by increasing the Pay 2003 value by 6.1% (two years at a 3% rate).

The current estimated Pay 2005 gross rate was applied to obtain the gross interim property fee. This amount was then adjusted using the current Pay 2003 values for the property tax replacement credit, school property tax replacement credit, and homestead credits to estimate the total amount of the interim property fee for Pay 2005.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County Auditors, Assessors, and Treasurers; Township assessors; Local government units funded from the county General Fund.

Information Sources: Local Government Database (LOGODABA).

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